

BEFORE THE OIL & GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF )  
KERR-MCGEE OIL & GAS ONSHORE LP FOR ) Cause No. 407  
AN ORDER ESTABLISHING ONE (1) 640- )  
ACRE WELLBORE SPACING UNIT FOR TWO ) Docket No. \_\_\_\_\_  
(2) HORIZONTAL WELLS IN THE NIOBRARA )  
FORMATION AND REQUEST FOR VARIANCE )  
FROM RULE 318A.f. FOR SECTION 15, )  
TOWNSHIP 3 NORTH, RANGE 65 WEST, 6<sup>TH</sup> )  
P.M., IN THE WATTENBERG FIELD, WELD )  
COUNTY, COLORADO )

APPLICATION

COMES NOW Kerr-McGee Oil & Gas Onshore LP (referred to herein as “Applicant”), by and through its undersigned attorneys, and makes application to the Oil and Gas Conservation Commission of the State of Colorado (“Commission”), for: (i) an order establishing one (1) 640-acre wellbore spacing unit for the drilling of two (2) horizontal wells for production of oil, gas, and associated hydrocarbons from the Niobrara Formation underlying Section 15, Township 3 North, Range 65 West, 6<sup>th</sup> P.M., Weld County, Colorado (“Application Lands”); and (ii) a variance from the eight (8) producing completions (*i.e.* well) limit for the Niobrara Formation established by Commission Rule 318A.f. In support thereof, the Applicant states and alleges as follows:

1. Applicant is a corporation duly authorized to conduct business in the State of Colorado.
2. Applicant owns all or a substantial portion of the leasehold interests on the Application Lands.
3. On February 19, 1992, the Commission issued Order No. 407-87 (amended August 20, 1993), which among other things, established 80-acre drilling and spacing units for the production of oil and/or gas from the Codell and Niobrara Formations underlying certain lands, including the Application Lands, with the permitted well locations in accordance with the provisions of Order No. 407-1. Order No. 407-1 (amended on March 29, 2000 in accordance with Order No. 407-17, entered November 18, 1985), among other things, established 80-acre drilling and spacing units for the production of oil and/or gas and associated hydrocarbons from the Codell Formation underlying certain lands, including the Application Lands, with the drilling and spacing unit to be designated by the operator drilling the first well in the quarter section, (or the Director, if the operator fails to designate). The permitted well shall be located in the center of either 40-acre tract within the drilling and spacing unit with a tolerance of 200 feet in any direction. The operator shall have the option to drill an additional well on the undrilled 40-acre tract in each 80-acre drilling and spacing unit.
4. On April 27, 1998, the Commission adopted Rule 318A, which, among other things, established drilling windows and allowed certain drilling locations to be utilized to drill or twin a well, deepen a well or recomplete a well and to commingle any or all of the Cretaceous Age Formation from the base of the Dakota Formation to the surface. The Application Lands are subject to the foregoing Order and Rule 318A. Pursuant to Rule 318A.j., Rule 318A supersedes all prior Commission drilling and spacing orders affecting well location and density requirements of GWA wells.

REQUEST FOR 640-ACRE WELLBORE SPACING UNIT

5. Applicant plans to drill two (2) horizontal wells on the Application Lands. The proposed Frico 1-15HZ Well has a proposed surface hole location of 714’ FSL and 656’ FWL of Section 15, Township 3 North, Range 65 West and a proposed bottomhole location of 800’ FNL and 460’ FEL of Section 15, Township 3 North, Range 65 West. The proposed Frico 2-15HZ Well has a proposed surface location of 714’ FSL and 640’ FWL of Section 15, Township 3 North, Range 65 West and a proposed bottomhole location of 460’ FNL and 1525’ FEL of Section 15, Township 3 North, Range 65 West. Well Location Certificates for the Frico 1-15HZ Well and the Frico 2-15HZ Well are attached.
6. Applicant requests that the Commission establish a 640-acre wellbore spacing unit that will include both the Frico 1-15HZ Well and the Frico 2-15HZ Well. Applicant confirms that it is not changing the established 80-acre drilling and spacing units for any existing vertical Niobrara

Formation wells. Applicant further confirms that it is not changing the established distribution of proceeds for any existing vertical Niobrara Formation wells. Applicant will allocate and distribute proceeds from the Frico 1-15HZ Well and the Frico 2-15HZ Well on a 640-acre basis.

7. Applicant asserts that a 640-acre wellbore spacing unit for the Frico 1-15HZ Well and Frico 2-15HZ Well will allow for economic and efficient drainage of the Niobrara Formation; will prevent waste; will not adversely affect correlative rights and will assure the greatest ultimate recovery of gas and associated hydrocarbon substances from the reservoirs. A 640-acre wellbore spacing unit is not smaller than the maximum area that can be economically and efficiently drained by the two (2) proposed horizontal wells in such unit.

8. The surface locations for the Frico 1-15HZ Well and the Frico 2-15HZ Well are located within an established drilling window pursuant to Commission Rule 318A.a. Each horizontal well shall be located at the designated surface location. The initial perforation of the Niobrara Formation, and the ultimate bottomhole location for each well, shall be no closer than 460' from the boundaries of the 640-acre wellbore spacing unit. The Applicant maintains that the two (2) horizontal wells will have no adverse effect on correlative rights of adjacent owners.

**REQUEST FOR RULE 502.b. VARIANCE FROM RULE 318A.f.**

9. Commission Rule 318A.f. provides that Rule 318A does not limit the number of wells that may be located within the Greater Wattenberg Area windows but, absent a Commission order otherwise, there shall be no more than eight (8) producing completions in the Niobrara Formation in any 160-acre governmental quarter section.

10. Depending upon the method in which horizontal wellbores are "counted" the well orientation of the Frico 1-15 HZ Well and the Frico 2-15HZ Well could result in the SE¼ and the SW¼ of Section 15, Township 3 North, Range 65 West containing nine (9) producing completions in the Niobrara Formation.

11. Applicant requests that this Commission approve a variance from Rule 318A.f. and allow the Frico 1-15HZ Well to serve as the ninth (9<sup>th</sup>) producing completion in the Niobrara Formation in the SE¼ of Section 15, Township 3 North, Range 65 West and the Frico 2-15HZ Well to serve as the ninth (9<sup>th</sup>) producing completion in the Niobrara Formation in the SW¼ of Section 15, Township 3, Range 65 West.

12. Applicant asserts that this request to exceed the eight (8) producing completions limit in the Niobrara Formation in the SW¼ and SE¼ of Section 15, Township 3 North, Range 65 West is made in order to prevent waste and to maximize the efficient and economic production of the Niobrara Formation hydrocarbon reserves without adversely affecting correlative rights of adjacent owners.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing, that notice thereof be given as required by law and that upon such hearing this Commission shall enter its order:

A. Establishing a 640-acre wellbore spacing unit for the Application Lands that includes both the Frico 1-15HZ Well and the Frico 2-15HZ Well;

B. Approving the surface locations for the Frico 1-15HZ Well and Frico 2-15HZ Well as located within an established drilling window pursuant to Commission Rule 318A.a. and establishing that the initial perforation of the Niobrara Formation, and the ultimate bottomhole location for each well, shall be no closer than 460' from the boundaries of the 640-acre wellbore spacing unit;

C. Approving a Commission Rule 502.b. variance from the requirement of Commission Rule 318A.f. and allow Applicant one (1) additional producing completion in the Niobrara Formation in the SE¼ of Section 15, Township 3 North, Range 65 West and one (1) additional producing completion in the Niobrara Formation in the SW¼ of Section 15, Township 3 North, Range 65 West;

D. Finding that the 640-acre wellbore spacing unit, the one (1) additional producing completion in the SE¼ of Section 15, Township 3 North, Range 65 West, and the one (1) additional producing completion in the SW¼ of Section 15, Township 3 North, Range 65 West will prevent waste, protect correlative rights, and will maximize the efficient and economic production of the Niobrara Formation on the Application Lands; and

E. Granting any other relief necessary to prevent waste and protect correlative rights of the adjacent owners.

Dated this 2<sup>nd</sup> day of February, 2011.

Respectfully submitted,

**KERR-MCGEE OIL & GAS ONSHORE LP**

By: \_\_\_\_\_  
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Jamie L. Jost  
Beatty & Wozniak, P.C.  
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(303) 407-4499

Applicant's Address:  
P.O. Box 173779  
Denver, CO 80217-3379

VERIFICATION

STATE OF COLORADO                    )  
  ) ss.  
CITY AND COUNTY OF DENVER)

\_\_\_\_\_, of lawful age, being first duly sworn upon oath, deposes and says that he is Attorney-in-Fact for Kerr-McGee Oil & Gas Onshore LP and that he has read the foregoing Application and that the matters therein contained are true to the best of his knowledge, information and belief.

\_\_\_\_\_  
Name:\_\_\_\_\_

Subscribed and sworn to before this \_\_\_\_ day of February, 2011.

Witness my hand and official seal.

[SEAL]

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

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**AFFIDAVIT OF MAILING**

STATE OF COLORADO )  
 )ss.  
CITY AND COUNTY OF DENVER )

Jamie L. Jost of lawful age, and being first duly sworn upon her oath, states and declares:

That she is the attorney for Kerr-McGee Oil & Gas Onshore LP, that on or before February \_\_\_\_, 2011, she attempted to cause a copy of the attached Application to be deposited in the United States Mail, postage prepaid, addressed to the parties listed on Exhibit A to the Application, but there is no known address for such parties.

\_\_\_\_\_  
Jamie L. Jost

Subscribed and sworn to before me on February \_\_, 2011.

Witness my hand and official seal.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

## **EXHIBIT A**

Anadarko E&P Company LP  
1099 18<sup>th</sup> Street, Suite 1800  
Denver, CO 80202

Anadarko Land Corp.  
1099 18<sup>th</sup> Street, Suite 1800  
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Noble Energy, Inc.  
1625 Broadway, Suite 2200  
Denver, CO 80202

Celia Greenman  
Colorado Division of Wildlife  
6060 Broadway  
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Kent Kuster  
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